



An Overview of The Central American – Dominican Republic Free Trade Agreement (CAFTA-DR)

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Topics

- The Central America - Dominican Republic Free Trade Agreement (CAFTA-DR)
- Central America & Dominican Republic (DR) at a glance
- Why export to this region?
- Central America & DR --then and now
- Central America & DR -- trade data
- Regional breakdown by country
- Challenges / Opportunities
- Programs / Services in the region



The Central America - Dominican Republic Free Trade Agreement (CAFTA-DR)

Opening doors for U.S. companies

Who:

- The United States
- Costa Rica
- The Dominican Republic
- El Salvador
- Guatemala
- Honduras
- Nicaragua



CAFTA-DR

Benefits

- Comprehensive reciprocal Trade Agreement; not unilateral like CBI/CBTPA
- More than 80% of U.S. manufactured exports duty free immediately; remaining over 10 years
- Market access to services market such as telecom & insurance
- Better business and investment climate—transparency, procurement, investment protection



CAFTA-DR

Benefits (con't)

- Better access to Central American and Dominican markets
 - Improved movement of goods within CA-6; Customs
- Larger availability and quality of products for consumers
- Enforcement of labor rights
- Protection of environment



CAFTA-DR

What's happening?

- U.S. firms have regionalized operations - Proctor & Gamble, Abbott
- Central American firms are regionalizing - La Fragua, Roble, Banco Cuscatlan
- Regionalization: Power grid; Customs; Highway integration
- Negotiating as a group
- Greater opportunities in Puerto Rico – DR exports
- Ratified by El Salvador, Guatemala and Honduras; other CAFTA countries next few months
- Implementing legislation to Congress



CAFTA-DR

Factoids:

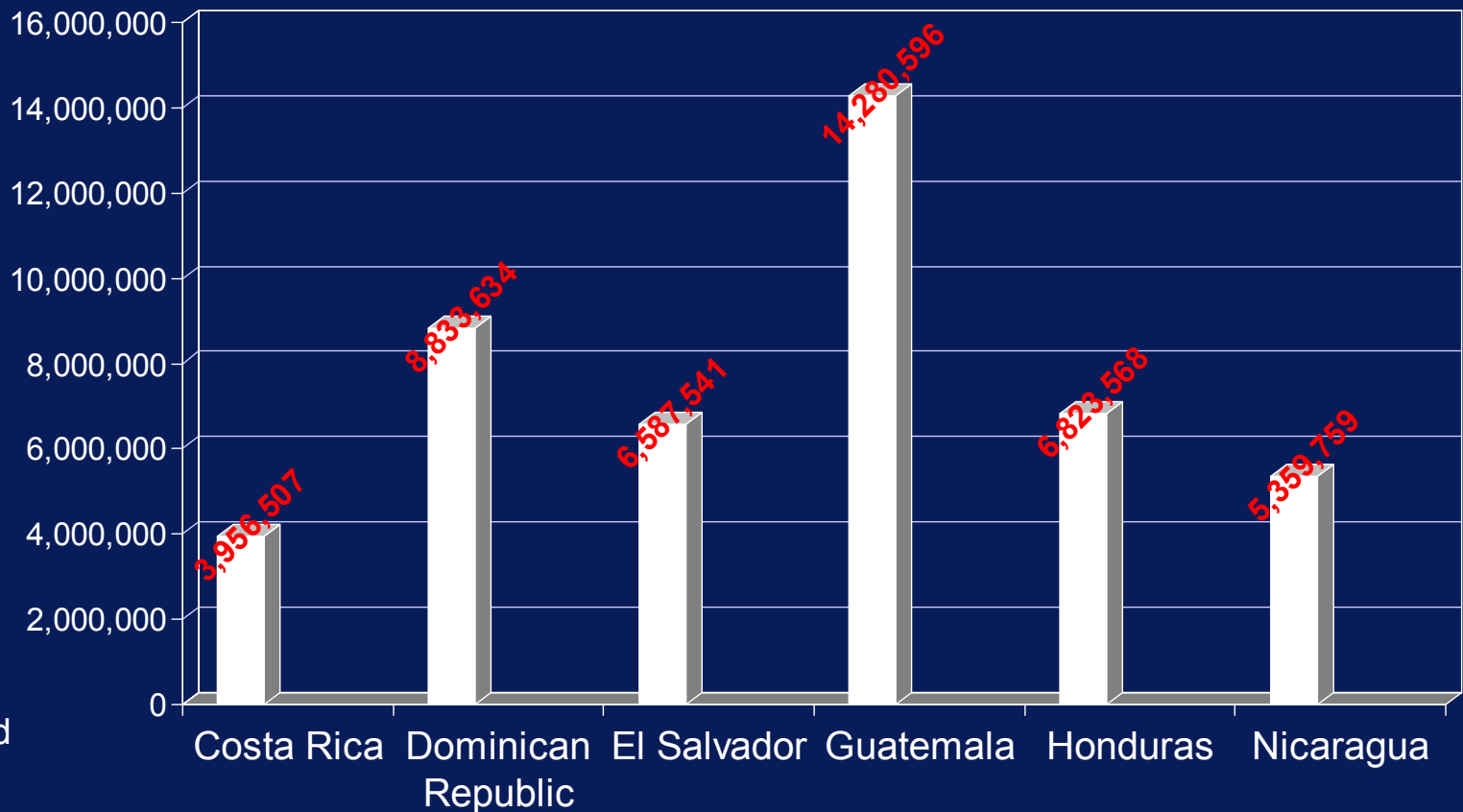
- CAFTA-DR countries will further open Central America and the Dominican Republic to the U.S. (The U.S. is already open to CAFTA-DR countries)
- Textiles: 2nd largest market for U.S. textile fabrics and yarns. (T-shirt made in C.A. 60-70% U.S. content, China <10%)
- Sugar: Increased quotas (Equal slightly more than one day's U.S. production)
- Labor and Environment (CAFTA keeps up the pressure for reform)
- CAFTA supports freedom, democracy, transparency and economic reform in our neighborhood

The Region at a Glance

- 10th Largest Market for U.S. Exports
- U.S. Exports = \$15.7 Billion (2004)
- Market greater than India, Russia, Indonesia, and Turkey combined

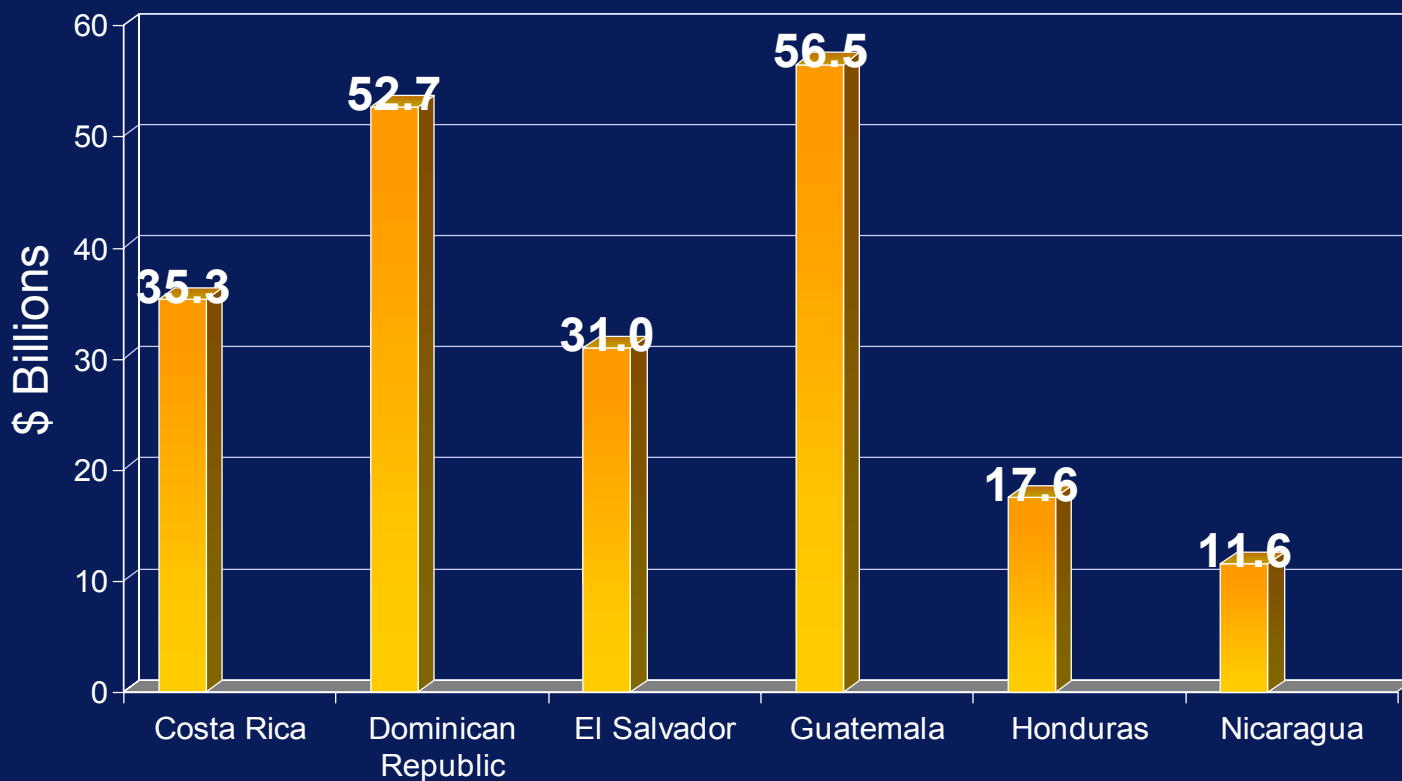


The Region at a Glance: Population



Source:
CIA World
Factbook

The Region at a Glance: Gross Domestic Product



Source:
CIA World
Fact Book



Why Export to the CAFTA-DR Region?

- Democratic governments
- On-going market liberalization
- Growing U.S. Hispanic population
- Proximity to U.S.
- 50% of region's imports are from the U.S. (56% in the DR alone)
- CAFTA-DR and FTAA will spur investment, economic growth, and increased trade



CAFTA-DR Region ~ Then

- Banana Republics
- Civil War
- Political Unrest
- Limited Agricultural Economies
- Economic Instability



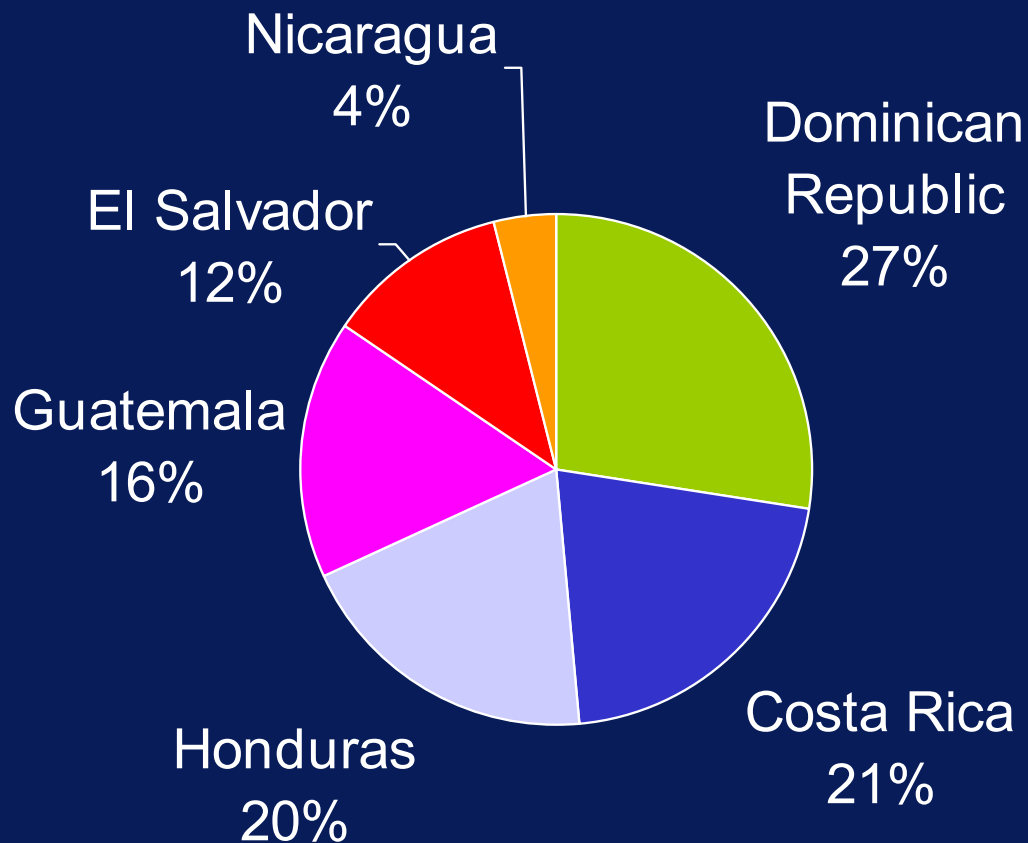
CAFTA-DR Region ~ Now

- High-Tech Corridors
- Tourism and Services
- Development of Non-Traditional Sectors
- Stable Democracies
- Sustainable Economies
- Niche Markets



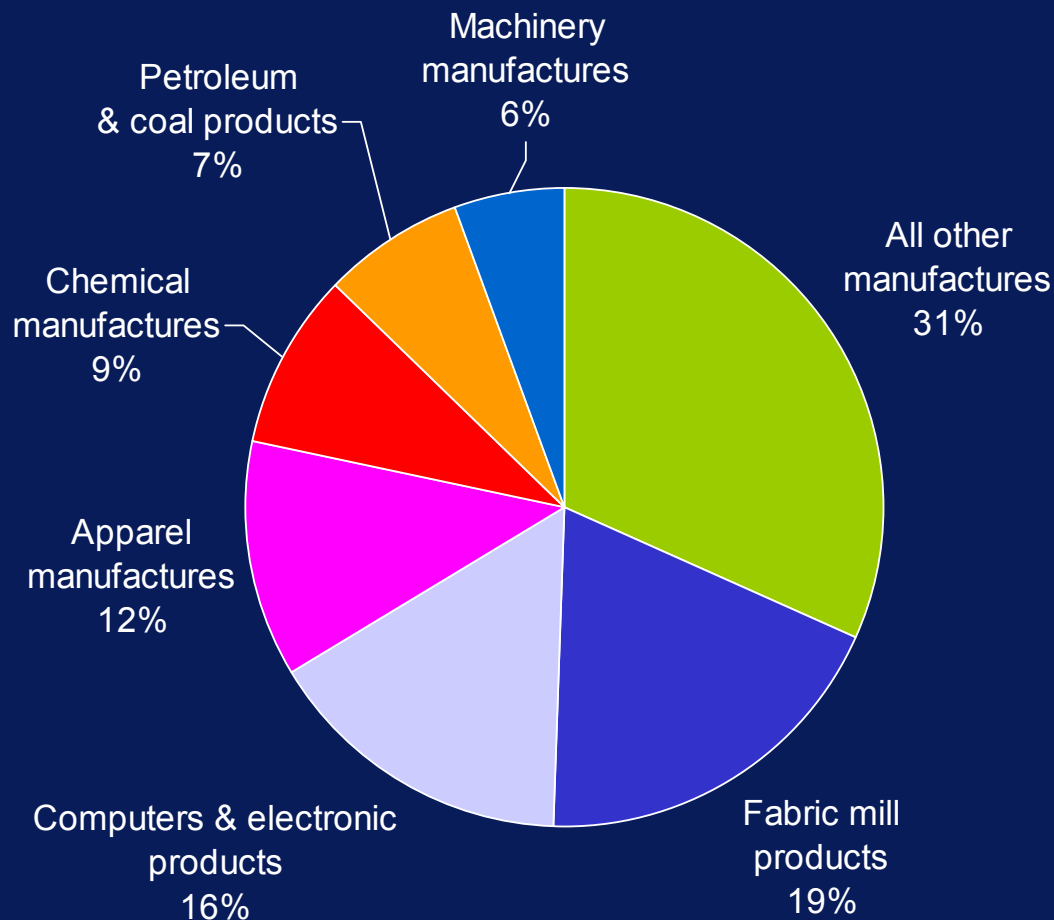
The U.S. Exported \$15.7 Billion to CAFTA-DR in 2004

The Dominican Republic accounts for more than one-fourth of U.S. Merchandise exports to CAFTA-DR markets



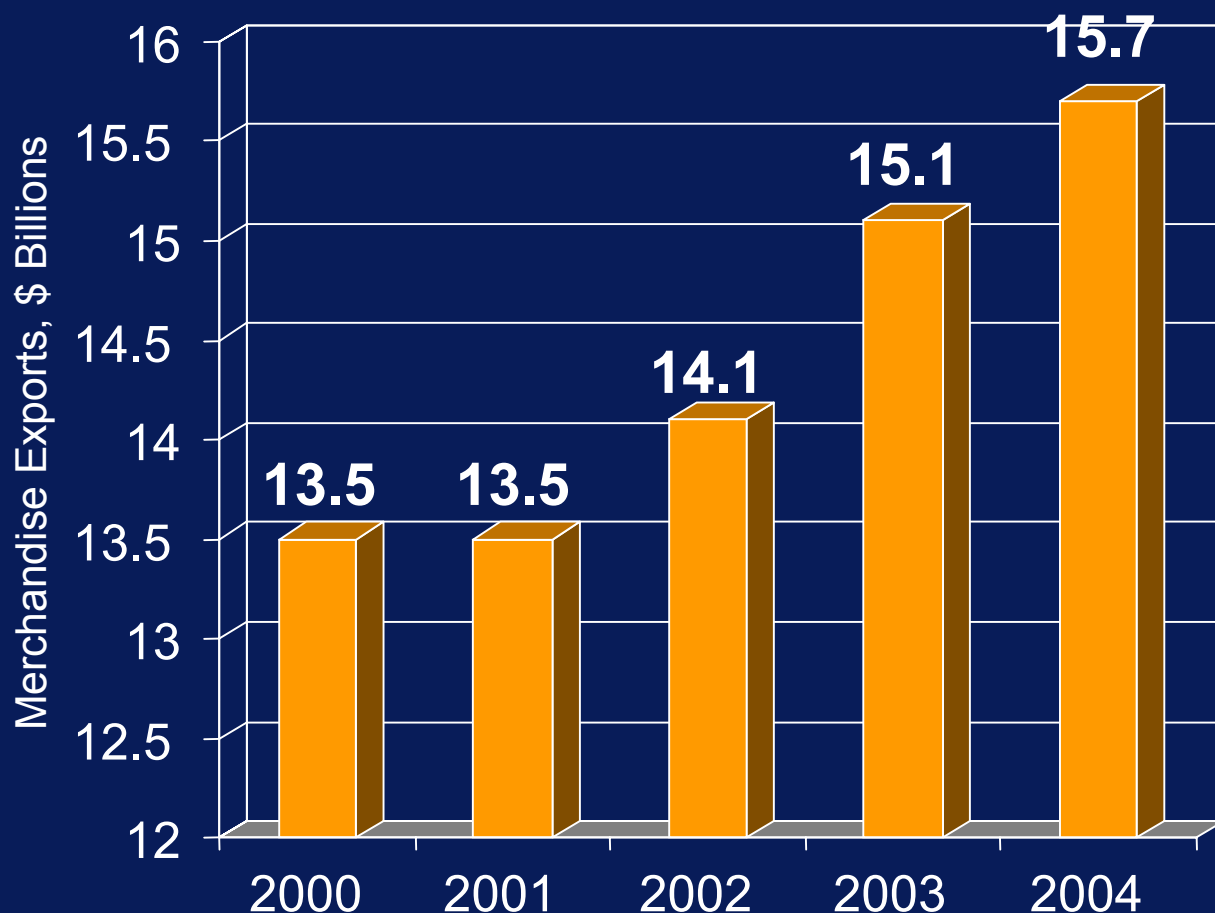
The U.S. Exported \$13.6 Billion in Manufactures to CAFTA-DR in 2004

Apparel, computers and electronics, and fabric mill products account for nearly half of the total U.S. Manufactured Exports to CAFTA-DR markets.



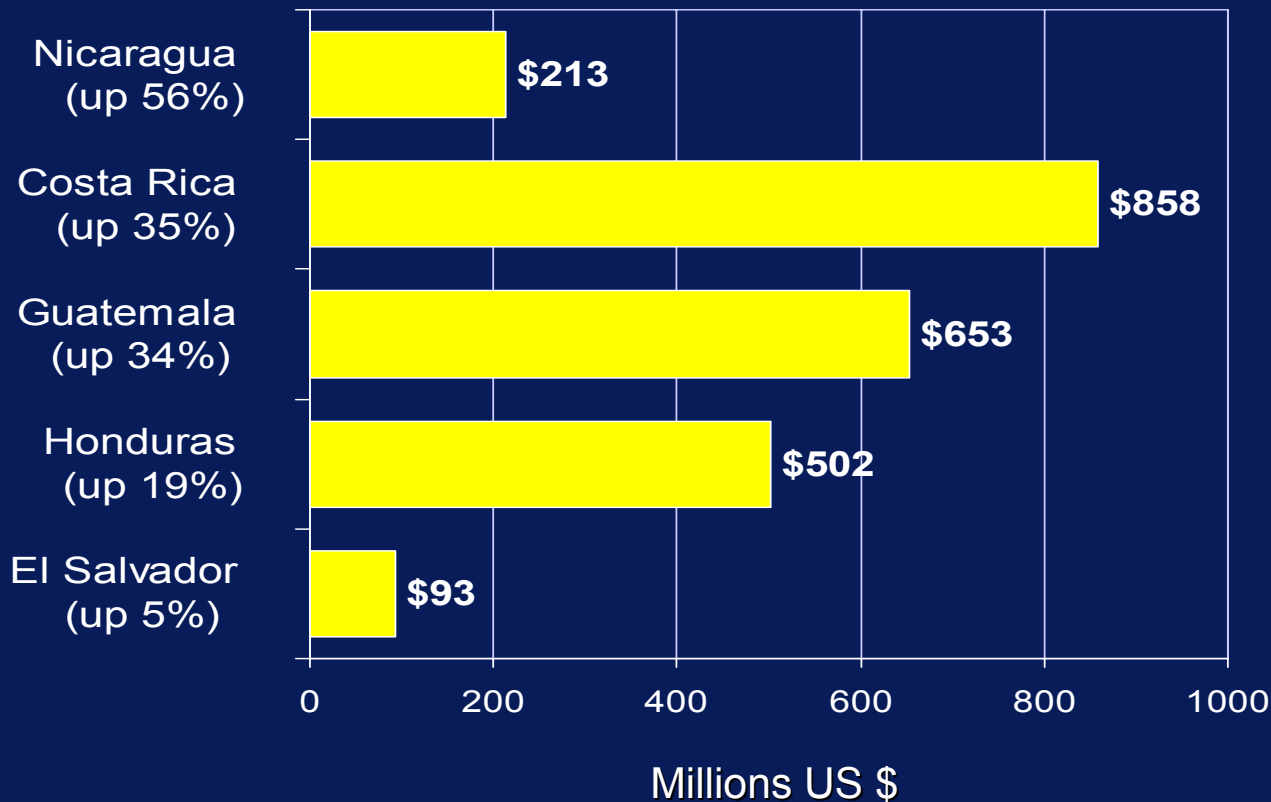
U.S. Exports to CAFTA-DR Markets are on the Rise

U.S. exports
to CAFTA-DR
nations in
2004 were
16% higher
than in 2000.

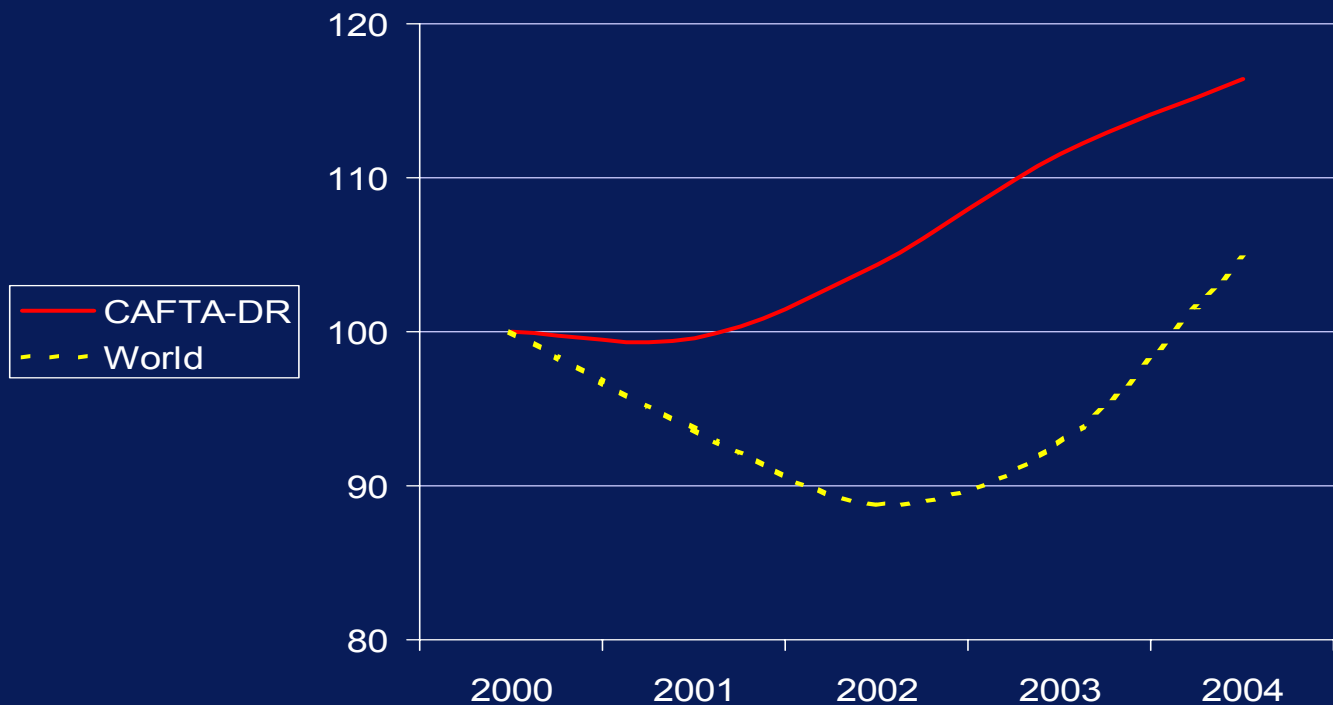


U.S. Merchandise Exports are Increasing to the CAFTA-DR Region

Merchandise
exports to five of
the CAFTA-DR
nations increased
from 2000 to 2004



U.S. Exports to CAFTA-DR Markets are Growing Faster Than Total U.S. Exports



Growth in U.S. Merchandise Exports (2000 = 100)

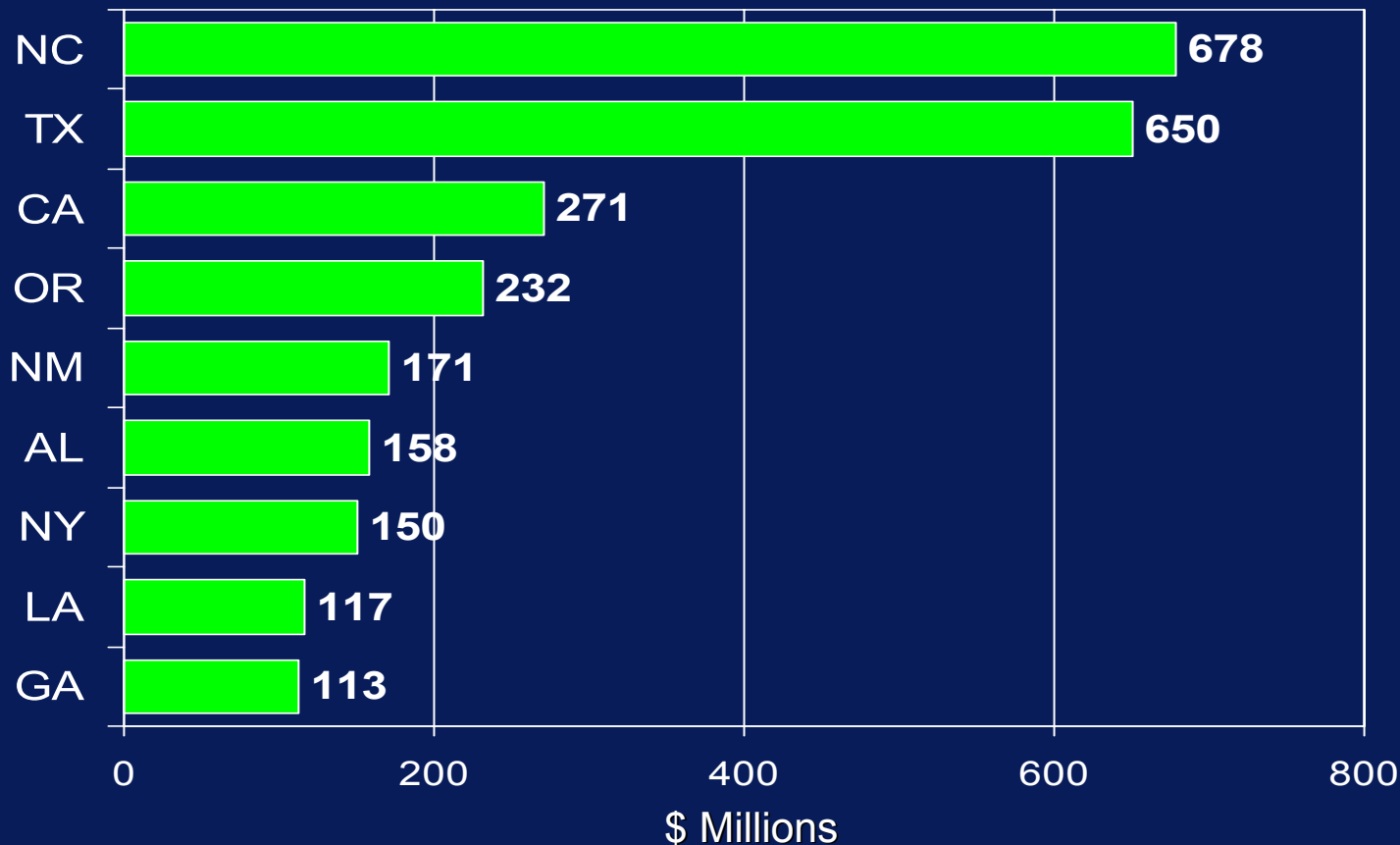
Top Exporting States (Merchandise) to CAFTA-DR 2004

State	Millions \$
▪ Florida	3,239
▪ Texas	1,762
▪ North Carolina	1,717
▪ Louisiana	1,174
▪ Georgia	667
▪ California	660
▪ New York	520
▪ Alabama	472
▪ Pennsylvania	353
▪ South Carolina	334

Nine States Dramatically Increased Their Exports to CAFTA-DR Markets

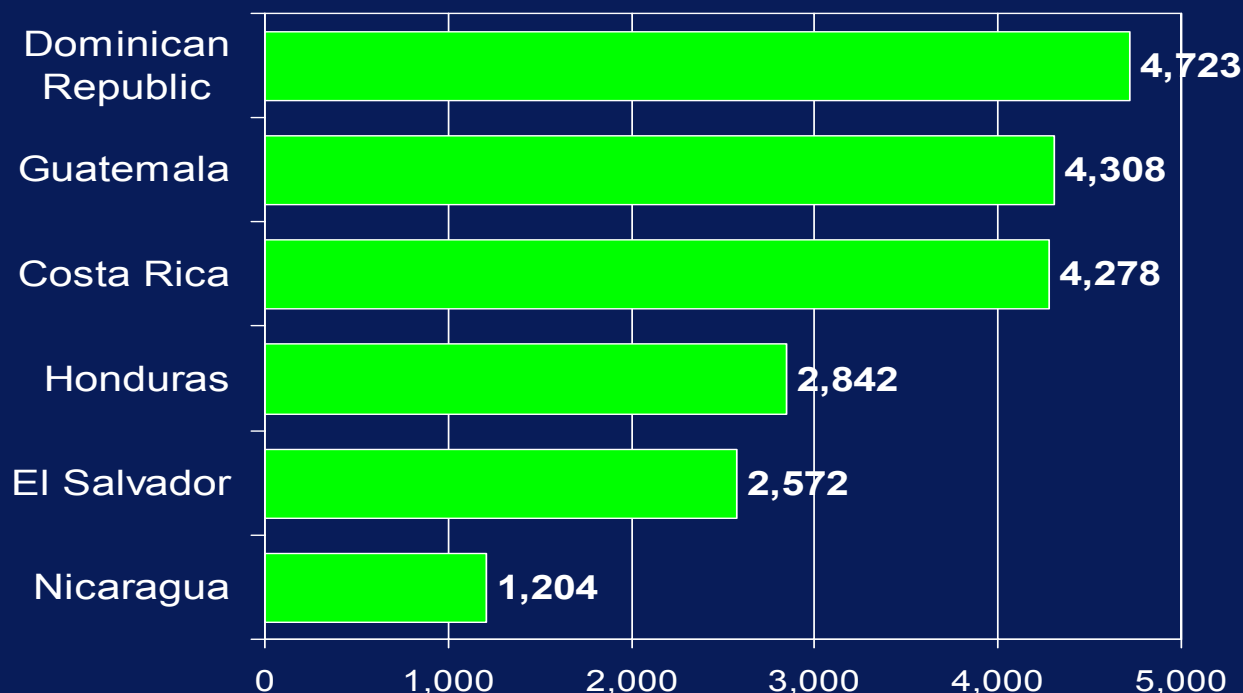
\$ Change in
Value of State
Merchandise
Exports

2000-2004



U.S. SME Exports to the CAFTA-DR Region are Significant

In 2002, SMEs were responsible for about 37% of the value of U.S. merchandise exports to the CAFTA-DR region.



Number of U.S. SMEs exporting merchandise to CAFTA-DR markets

Guatemala



- Largest economy in Central America
- Economy nearly completely privatized
- Tax collections are about 10% of GDP
- Tariffs are relatively low (1-17%)
for almost all products;
VAT is 12%



Honduras



- Competitive labor costs
- U.S. accounts for 50% of all foreign trade
- The Maquiladora industry accounts for 15% of GDP and 11% of exports
- Puerto Cortes is the largest port in Central America
- U.S. has 40% of FDI in Honduras
- 4 international airports

El Salvador

- Smallest country in Central America. Densely populated. Over 1.5 million Salvadorans live in the U.S.
- Foreign trade grew 400% between 1992-2000
- Aggressive trade policy = rapid economic development
- Dollarized economy



Nicaragua

- Safest country in Central America
- Price controls phased-out
- Privatization
- Rich in natural resources
- Lack of diversity in sector development



Costa Rica

- Highly-educated workforce
- Most politically stable country in region
- Booming tourism industry
- Privatization limitations
- 95% literacy rate
- Small population but high GDP & FDI
- Market openings expected under CAFTA-DR



Dominican Republic



- Economy based on: Services (47% of GDP) particularly Tourism and Transportation; Industry (31% of GDP) particularly from the Free Trade Zones; and Remittances from the nearly 1 million Dominicans who live in the U.S.
- Increasing economic liberalization policies adopted by DR government
- 2% economic growth rate in 2004, after a year of negative growth
- In 2004, DR Hotel Industry grew 5% in available rooms and contributed 4.5% to GDP
- Housing projects, highways, malls and commercial buildings are priority





The CAFTA-DR Region is an Open Market

- Tariffs are relatively low (1-17%)
- VAT average - 12% (16% in DR)
- Almost no import restrictions
- Standards are similar to the U.S.
- Labeling/testing not a problem
- Variety of qualified agents and distributors available
- Growing English use in business



Opportunities: Best Prospect Industries

- Automotive parts and service equipment
- Food processing/packaging eq.; Processed foods
- Electric power generation / distribution equipment
- Hotel and restaurant equipment
- Franchising
- Security and safety equipment and services
- Telecommunications
- Construction equipment

Challenges

- Financial Reform
- Respect for Contracts
- Investment Protection
- Judicial Reform
- Export Promotion
- Electricity (DR)
- Corruption
- Education
- IPR Protection
- Security
- Start-ups; SMEs; Entrepreneurship; Leadership

On the Horizon



- China's impact on the Maquila Sector in 2005
- Central America and the DR 100% dependent on imported oil
- Increased Overseas Remittances
 - El Salvador - \$2.5 bil
 - Guatemala - \$2.5 bil
 - Dominican Republic - \$2 bil
 - Honduras - \$1.2 bil
 - Nicaragua - \$519 mil



CS Services in CAFTA-DR Markets

- In-Depth Counseling of U.S. Firms
- Gold Key Service
- International Buyer Programs
- Platinum Key Service
- Customized Market Research
- International Sector Analyses / Market Insights
- Contact Lists
- Advocacy
- International Company Profiles
- International Partner Searches
- Country Commercial Guide




CS CAFTA-DR




Regional Industry Sectors

- Apparel, Textiles & Equip
- Automotive Parts and Service Equip
- Computers & Software
- Construction Equip & Services
- Food Processing & Packaging
- Franchising
- Hotel & Restaurant Equip
- Medical Equip & Pharmaceuticals
- Telecom Equip & Services

BUYUSA.GOV U.S. Commercial Service Site Map

 Guatemala

Home
Doing Business in Guatemala?
Market Research
New! CAFTA Information
Country Commercial Guide
US Embassy and Other Links
Staff Directory
Contact us

 Our Worldwide Sites
 Export.gov Trade Portal
 BuyUSA.com Matchmaking

Welcome to the U.S. Commercial Service in Guatemala City!

Who are we?

The U.S. Commercial Service in Guatemala, provides assistance to U.S. companies wishing to enter the Guatemalan market. Our mission is:




- To promote the export of goods and services from the U.S.;
- To protect U.S. business interests abroad;
- To assist small and medium-sized companies to achieve export success;



















Our business philosophy is to provide timely, relevant, customized business solutions.

Our office in Guatemala City provides a combination of cost-effective core and specialized services including market identification and entry programs, market expansion services, and market access and development activities.

Español

Search!
enter a keyword >>

Start |        >> |       |      2:37 PM



Other Useful Contact Information

- Office of the United States Trade Representative ustr.gov
- Business Coalition for U.S.-Central America Trade uscafta.org
- U.S. Commercial Service in Central America
buyusa.gov/centralamerica/en
- U.S. Commercial Service in the Caribbean (DR)
buyusa.gov/caribbean
- Trade Compliance Center, U.S. Dept. of Commerce
tcc.mac.doc.gov
- USDOC CAFTA Website ita.doc.gov/cafta

Impressions and Conclusions

- 50% of region's imports come from the U.S.
- Region in general is peaceful, democratic
- Trying to find a foothold in the global economy
- Markets are close to the U.S.
- Regional integration and CAFTA-DR will spur more investment, economic growth, and trade
- Markets are growing